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SUBJECT: DEMOCRAT LEADER LAYS OUT PRO-BUSINESS AGENDA

REF: BANGKOK 4943

¶1. Summary: In an October 18 address to Thai business and investment leaders, Democrat Party leader Abhisit Vejjajiva outlined the challenges to Thailand in a globalized world, and the Party's outward-looking plan of action to meet those challenges. Abhisit presented a pro-business platform which he said sought to change the government's role from one of economic controller to business facilitator, cutting costs and improving business competitiveness. Abhisit pledged action on a number of issues important to foreign investors, including abolishment of capital controls, shelving amendments to the Foreign Business Act, and a more business-friendly attitude toward compulsory licensing of pharmaceutical products. However, audience members expressed concern that as part of a likely weak coalition government, a Democrat-led administration might not be able to implement its bold proposals. End Summary.

¶2. In a forum entitled "Thailand - Back in Business," Democrat Party leader and possible Prime Minister candidate Abhisit Vejjajiva built on an earlier economic speech (reftel) and set forth a pro-business platform that focused on meeting the challenges presented by globalization. Abhisit laid out the competition for markets by rising economic powers China and India in both low-wage and high-tech sectors, and contrasted their successes with Thailand's failure to keep pace. He pointed out Thailand's stagnant rankings in business competitiveness indexes in comparison with improvements by several of its neighbors in the region. Abhisit opined that Thailand is in a regressive cycle, with low investor and consumer confidence feeding off Thailand's economic doldrums. He blamed this lack of confidence for recent investment decisions by Seagate, Bridgestone and Intel to place major investments elsewhere in the region.

¶3. Presumably in deference to the business-oriented audience, Abhisit kept discussion of the Democrat Party's other populist proposals to a minimum, and focused on the party's pro-business proposals. Abhisit said the government needs to change its role as a controller of the economy and become a facilitator for private business, pledging to stay out of the way of business and cease government being a burden rather than a help. He promised to change rules and regulations that hinder business, including capital controls and proposed amendments to the Foreign Business Act.

¶4. Abhisit said he did not want to see a Thai economy based on low labor costs, and advocated policies to move the economy toward higher-end manufacturing and services. He pushed for higher value-added in Thai products and building Thai brands in the global market. He also advocated greater educational focus on information technology, math and sciences, and foreign languages to better compete in a knowledge-based economy.

¶5. Abhisit noted that Thai competitiveness had suffered from a lack of investment in infrastructure, and pledged to expend 300 billion baht in irrigation projects, 200 million baht in dual-track

railways to better link with neighboring countries, and 250 billion baht over 10 years on improving mass transit. In so doing Abhisit hoped to reduce transport and logistics costs by 25-30 percent, increase farmers income by 40 to 50 percent within four years, double tourism receipts over four years, and bring annual GDP growth to the seven to eight percent range.

Abhisit on the issues du jour

¶6. During his speech and in a following question and answer session, Abhisit touched on a number of key issues important to foreign investors. He pledged to end the 30 percent capital reserve requirement imposed last December to stem the appreciation of the baht, earning the biggest applause of the speech. Abhisit said the policy had destroyed the bond and debt markets and he would act to revive them. He continued that a Democrat Party administration would not enforce a strong or weak baht policy, noting the advantages to different parties of each policy. However, he explained that scrapping capital controls would spur investment and weaken the baht to help exporters.

¶7. Abhisit said he would not pursue controversial proposed amendments to the Foreign Business Act that would further restrict foreign ownership in certain business sectors. He stressed the need to protect national interests, but said it would be done with clearer rules and a mechanism that would be accepted internationally.

¶8. In response to a question on compulsory licenses of pharmaceutical products that the current government has pursued, Abhisit said that the policy should only be used "as a last resort." He said that if necessary he would invite pharmaceutical companies to discuss any potential action, and noted that just the threat of

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doing a compulsory license often worked as well as its actual implementation. As an alternative, Abhisit noted the Clinton Foundation's success in driving down global medicine prices by purchasing in bulk and suggested the RTG could pursue a similar policy to help reduce medicine costs.

¶9. Comment: Abhisit hit all the right notes for his audience, putting forward policies to modernize and advance the economy and promoting ways to make doing business easier and cheaper. However, if the Democrat Party takes power after the upcoming December elections, it will almost certainly be as part of a coalition. Many audience members questioned whether the Democrats would be able to control key ministries and implement their proposals, and whether they would be in office long enough to do so. Political analysts have predicted that the next government will be a weak coalition, and will find it difficult to push through bold proposals. End Comment.

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